

**GATEWAY AREA DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Gateway Area Development District  
Morehead, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Area Development District (the "District") as of June 30, 2015 and 2014, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Area Development District as of June 30, 2015 and 2014, and the changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 22 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 8 and the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency in management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary schedules and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015 on our consideration of Gateway Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gateway Area Development District's internal control over financial reporting and compliance.

*Kelley Galloway Smith Goolsby, PSC*

September 23, 2015

**GATEWAY AREA DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2015**

Gateway Area Development District (GADD) is a governmental non-profit corporation formed pursuant to KRS Chapter 147A. One of fifteen statewide Area Development Districts established in 1969, its mission is basic: to bring local civic and governmental leaders together to accomplish major objectives and take advantage of opportunities which cannot be achieved or realized by those governments acting alone. Also it serves as a focal point of a necessary federal-state-local partnership for improvement of the quality of life in the region and the Commonwealth. GADD serves as a forum, clearinghouse, technical center, and a convener for the five-county area of Bath, Menifee, Montgomery, Morgan, and Rowan counties. As outlined in KRS, the ADD acts as the planning and administrative entity for the region.

GADD is governed by a Board of Directors comprised of elected officials from the counties and communities within the District, as well as non-elected citizen members representing a cross-section of the region's social and economic institutions. The office is managed by an Executive Director who reports directly to the Board. Office staff reports to the Executive Director.

GADD is also recognized by the Internal Revenue Service as "Gateway Area Development District, Inc." as a 501 (c) (3) tax-exempt organization determined eligible to receive tax-deductible contributions. Due to massive destruction the March 2, 2012 storms and tornados caused in its counties, GADD Inc. currently serves as the fiscal agent for the *Morgan County Tornado Relief Fund*.

This discussion and analysis narrative provides an overview of GADD's financial performance during the 2015 fiscal year, as compared to the prior fiscal year ending June 30, 2014. Please read the following in conjunction with the audited financial statements and the accompanying notes.

## **OVERVIEW OF THE ANNUAL REPORT**

This annual report includes the management's discussion and analysis, the independent auditors report, the GADD's audited financial statements, and notes to the financial statements. The notes to the financial statements explain in detail some of the information in the financial statements.

## **REQUIRED FINANCIAL STATEMENTS**

GADD's financial statements utilize the accrual basis of accounting. Also, the financial statements conform to generally accepted accounting principles and guidelines set forth by the Governmental Accounting Standards Board. GADD is a single fund, special-purpose entity that provides regional planning, development and aging services to the city, county and nonprofit agencies within the five county area. As such, the entity-wide financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These statements display information about the entity as a whole.

GADD does not utilize multiple funds in accounting for its financial activities; therefore fund type statements are not presented. The Statement of Net Position details GADD's investments (assets)

and debt (liabilities) and is very similar to the balance sheet. The Statement of Revenues, Expenses and Changes in Net Position details revenue classified by source and expenditures by purpose for separate fiscal years and the also takes into account adjustments, if any, for prior year events.

## GADD's FINANCIAL ANALYSIS

The enclosed financial statements indicate that the overall financial condition of GADD improved for the fiscal year ended June 30, 2015 as summarized in the following table.

### Condensed Statement of Net Position

	<u>FY 2015</u>	<u>FY 2014</u>
Current Assets	\$2,114,590	\$ 1,821,971
Notes Receivable, long term	336,125	383,015
Capital Assets	922,000	942,919
Amortized Assets	11,823	12,142
Deferred Outflows of Resources	<u>108,667</u>	<u>103,000</u>
<b>Total Assets and Deferred Outflows</b>	<u><b>\$ 3,493,205</b></u>	<u><b>\$ 3,263,047</b></u>
Current Liabilities	\$ 435,122	\$ 380,903
Net Pension Liability	771,000	898,000
Long Term Liabilities	<u>1,163,985</u>	<u>1,191,198</u>
Total Liabilities	2,370,107	2,470,101
Deferred Inflows of Resources	86,000	-
Net position		
Invested in capital assets	(185,067)	(180,558)
Restricted for depreciation	52,502	46,169
Restricted for economic development	513,739	558,724
Unrestricted	<u>655,924</u>	<u>368,611</u>
Total Net Position	<u>1,037,098</u>	<u>792,946</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u><b>\$3,493,205</b></u>	<u><b>\$3,263,047</b></u>

At the close of the fiscal year, assets (net of deferred outflows) exceeded liabilities by \$1,014,431. Total assets (including deferred outflows) increased \$230,158 from June 30, 2014 primarily due to a significant increase (18.6%) in unrestricted or operating cash-on-hand. The outstanding notes receivable decreased this year by \$38,616 as expected, resulting from scheduled payments.

GADD's current operating liabilities increased by approximately 14.23% in FY 2015, primarily due to an increase in deferred revenue and a decrease in funds held for Morgan County Tornado Relief

Fund. Net Pension Liability and Deferred Inflow of Resources are new recognitions for FY 15 and are reflective of GADD's proportionate share of the state County Employees Retirement System (CERS). Long term liabilities decreased, as expected, in direct relation to the annual mortgage payment required by the USDA Rural Development and required payments to the Kentucky Housing Corporation.

Overall, the increase in total assets and the increase in total liabilities causes fiscal year 2015 to reflect a 7.05% net increase from June 30, 2014.

GADD's revenues earned and expenses incurred throughout fiscal year 2015 were in accordance with management's expectations. GADD closed the year with an overall increase to net position of \$244,152 (i.e. \$183,390 from normal operations, \$46,667 CERS-related pension adjustment, and \$14,095 prior year adjustments).

The following statement of revenues, expenses, and changes in net position provides a more detailed look.

#### **Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	<u><b>FY 2015</b></u>	<u><b>FY 2014</b></u>
Federal and state revenues	\$ 2,334,067	\$ 2,185,226
Local revenues	243,041	265,299
Revolving loan interest	<u>17,595</u>	<u>16,084</u>
<b>Total Revenues</b>	<u>2,594,703</u>	<u>2,466,609</u>
Expenses		
Personnel	990,733	924,383
Contractual	949,428	970,347
Other	<u>425,491</u>	<u>370,183</u>
Total Operating Expenses	<u>2,365,652</u>	<u>2,264,913</u>
<b>Operating Income (Loss)</b>	229,051	201,696
Non-operating Income (Expense)	<u>1,006</u>	<u>(47,805)</u>
<b>Increase (Decrease) in net position</b>	230,057	153,891
Net position – beginning of year	792,946	1,447,178
Adjustments and changes	<u>14,095</u>	<u>(808,123)</u>
<b>Net Position – End of Year</b>	<u><b>\$1,037,098</b></u>	<u><b>\$ 792,946</b></u>

From June 30, 2014 to June 30, 2015, GADD's operating income increased by \$27,355 or 13.56%.



Current fiscal year revenues increased 5.19% (\$128,094) from fiscal year 2014 while expenses increased by a less percentage of 4.45% (\$100,739).

GADD's federal and state revenue attributable to externally-funded grants and contracts incurred a 6.81% (\$148,841) increase primarily due to a 25.63% increase in the Consumer Directed Option program revenue and the addition of three new grants in FY 2015.

There are two primary types of local revenue. The first type is any money received by GADD that is not related to a specific program (such as the local county and city dues) or is from a non-governmental entity. The other type is a matching contribution to a federal or state funded program by an individual, local government, or agency (such as funding used to support the area senior citizens center's bus drivers and home delivered meals) or is cash generated by the program (such as donations for meals). Local in-kind contributions represent any non-paid amount, such as volunteer time, for which a value can be readily calculated. Overall total local revenue from all sources, net of applied losses, decreased 8.39% during fiscal year 2015.

An analysis of expenditures shows that personnel costs increased 7.18% during the current fiscal year primarily because two full-time positions was vacant part of the 2014 fiscal year. Contractual expenses, mostly related to the Area Agency on Aging sub-providers and staff obtained via a temporary employment agency, decreased slightly (2.16%) during the year. All other operating expenses for fiscal year 2015 reflect a 14.94% increase that primarily has to do with disbursing funds under the new federal ARC Morgan Recovery project.

Non-operating revenues and expenses reflect a significant increase due to recognizing GADD's proportionate share of the state County Employees Retirement System (CERS) financial status, which is a new requirement in fiscal 2015.

Adjustments or changes to net position represent occurrences that are not related to current year revenues or expenditures but affects GADD's net position.

### **CAPITAL ASSETS**

GADD continued its investment in capital assets during fiscal year 2015. The amount includes furniture, equipment, vehicles, building and land. Capital assets had a net balance of \$942,919 at June 30, 2015.

	<b><u>06-30-14</u></b> <b><u>Balance</u></b>	<b><u>FY 2015</u></b> <b><u>Additions</u></b>	<b><u>06-30-15</u></b> <b><u>Balance</u></b>
Furniture, equipment, and vehicles	\$ 490,172	\$ 17,055	\$ 507,227
Building and land	<u>1,109,831</u>	<u>-</u>	<u>1,109,831</u>
Total fixed assets	1,600,003	17,055	1,617,058
Less: accumulated depreciation	<u>(657,084)</u>	<u>(37,974)</u>	<u>(657,058)</u>
Net	<u>\$ 942,919</u>	<u>\$(20,919)</u>	<u>\$ 922,000</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

GADD considered many factors when initially setting the fiscal year 2015 budget and continued to monitor it carefully as the year's activity unfolded. Our Area Development District receives the majority of its funding from federal, state and special contracts. Because of this, a portion of our annual revenue is fairly steady except for state-imposed budget reductions. With contract responsibilities and expenses increasing, while the revenue is decreasing, it is very difficult to manage. It is a constant battle to bring in enough contracts to cover what we need to do for our region. Most of our contracts are on a reimbursement basis and some of our contractors and governmental entities are slow to pay. However we remain committed to providing as close to the same level of service as in years past to the extent funding allows. As a safeguard to be sure that there is no interruption of service, we have available to us a line of credit at the Whitaker Bank which will cover any temporary cash deficiency.

The major impact for fiscal year 2015-16 will be the same as in recent years: a conscientious effort to (1) seek new federal and state funding sources and (2) acquire additional Performance Based contracts to offset the deficiency in the federal and state funded programs. Federal and state funding amounts must increase to help offset the costs required to properly administer those specific programs. Without such, management must rely upon Performance Based funding to contribute to those programs that fall short in sufficient funding, making GADD's dependency on external contracts a continued utmost importance.

GADD has endured another difficult year, financially. Some staff vacancies were purposely not filled (or were filled via a temporary employment agency) while other positions are under-funded. In some cases, contracts stipulate a particular staffing level when there are insufficient funds to cover said level. It is a continual struggle to manage the agency's current workload, while seeking additional external contracts, with a limited number of staff and resources.

## **CONTACTING GADD**

The financial report is designed to provide GADD's citizens, investors, creditors, and other interested party's with a general overview of the agency's finances and to demonstrate GADD's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Gail K. Wright, Executive Director, at 110 Lake Park Drive, Morehead, KY 40351. Mrs. Wright may also be reached by phone at (606) 780-0090, ext. 2108 or at [gailk.wright@ky.gov](mailto:gailk.wright@ky.gov).

# GATEWAY AREA DEVELOPMENT DISTRICT

## STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Current assets -		
Cash - unrestricted	\$ 874,452	\$ 737,320
Cash - restricted	541,798	522,287
Accounts receivable	628,457	500,755
Restricted notes receivable, net	69,883	61,609
Total current assets	<u>2,114,590</u>	<u>1,821,971</u>
Notes receivable, net of current portion	336,125	383,015
Other noncurrent assets	11,823	12,142
Capital assets, net	922,000	942,919
Total assets	<u>3,384,538</u>	<u>3,160,047</u>
Deferred outflows of resources	<u>108,667</u>	<u>103,000</u>
Total assets and deferred outflows	<u><u>\$ 3,493,205</u></u>	<u><u>\$ 3,263,047</u></u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities -		
Accounts payable	\$ 114,924	\$ 113,903
Accrued payroll and payroll taxes	29,915	35,370
Accrued annual leave	36,394	32,962
Accrued interest payable	6,131	6,728
Other current liabilities	12,503	13,254
Deferred revenue	116,881	37,047
Funds held for Morgan County Tornado Relief Fund	89,678	113,612
Notes payable, current portion	28,696	28,027
Total current liabilities	<u>435,122</u>	<u>380,903</u>
Net pension liability	771,000	898,000
Long-term debt	1,163,985	1,191,198
Total liabilities	<u>2,370,107</u>	<u>2,470,101</u>
Deferred inflows of resources	86,000	-
Net position -		
Invested in capital assets, net	(185,067)	(180,558)
Restricted for depreciation	52,502	46,169
Restricted for economic development	513,739	558,724
Unrestricted	655,924	368,611
Total net position	<u>1,037,098</u>	<u>792,946</u>
Total liabilities, deferred inflows, and net position	<u><u>\$ 3,493,205</u></u>	<u><u>\$ 3,263,047</u></u>

The accompanying notes to financial statements  
are an integral part of these statements.

**GATEWAY AREA DEVELOPMENT DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
REVENUES		
Federal	\$ 749,006	\$ 663,224
State	1,585,061	1,522,002
Local (includes in-kind and program income)	243,041	265,299
Revolving loan interest	17,595	16,084
Total revenues	<u>2,594,703</u>	<u>2,466,609</u>
EXPENSES:		
Salaries	667,378	615,678
Fringe benefits	323,355	308,705
Travel	58,164	47,891
Contractual	949,428	970,347
Other	367,327	322,292
Total expenses	<u>2,365,652</u>	<u>2,264,913</u>
OPERATING INCOME	<u>229,051</u>	<u>201,696</u>
NONOPERATING REVENUES (EXPENSES)		
Net pension adjustment	46,667	-
Interest income	591	521
Interest expense	(46,252)	(48,326)
Total nonoperating revenues (expenses)	<u>1,006</u>	<u>(47,805)</u>
NET INCREASE IN NET POSITION	230,057	153,891
BEGINNING NET POSITION	792,946	1,447,178
Adjustments related change in accounting principle for implementation of GASB 68	-	(795,000)
Adjustments related to prior years grant activity	<u>14,095</u>	<u>(13,123)</u>
ENDING NET POSITION	<u>\$ 1,037,098</u>	<u>\$792,946</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**GATEWAY AREA DEVELOPMENT DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from:		
Grant receipts	\$ 2,300,881	\$ 2,236,618
Other receipts	274,731	301,621
Cash paid to/for:		
Payments to suppliers and providers of goods and services	(1,335,605)	(1,344,078)
Payments to employee services and benefits	(993,507)	(922,326)
Net cash provided by operating activities	<u>246,500</u>	<u>271,835</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest expense	(46,849)	(45,520)
Purchase of property, plant and equipment	(17,055)	(2,478)
Principal paid on capital debt	(26,544)	(27,708)
Net cash used for capital and related financing activities	<u>(90,448)</u>	<u>(75,706)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	591	521
Net cash provided by investing activities	<u>591</u>	<u>521</u>
<b>NET INCREASE IN CASH</b>	156,643	196,650
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,259,607</u>	<u>1,062,957</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 1,416,250</u></u>	<u><u>\$ 1,259,607</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income	\$ 229,051	\$ 201,696
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	37,974	52,469
Prior year grants receivable/deferred grant activity	14,095	(13,123)
Change in assets and liabilities:		
Accounts receivable	(127,702)	33,105
Loans receivable	38,616	37,182
Other noncurrent assets	319	161
Accounts payable	1,021	(22,817)
Accrued payroll and other liabilities	(6,206)	8,452
Accrued leave	3,432	(6,395)
Funds held for Morgan County Tornado Relief Fund	(23,934)	(33)
Deferred revenues	79,834	(18,862)
Net cash provided by operating activities	<u><u>\$ 246,500</u></u>	<u><u>\$ 271,835</u></u>

The accompanying notes to financial statements  
are an integral part of these statements.

# GATEWAY AREA DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Gateway Area Development District (the "District") is a governmental non-profit corporation formed pursuant to KRS Chapter 147A which has as its primary purpose the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of a five-county area consisting of the counties of Rowan, Bath, Morgan, Menifee and Montgomery. The fifteen member Board of Directors is composed of officials of political subdivisions and private citizens within the District. Executive Order 71-1267, signed May 1969, designated the District as the official comprehensive planning and program development agency for eastern Kentucky. The Order further designated the District as the regional clearinghouse pursuant to United States Office of Management and Budget Circular A-95 known in Kentucky as KIRP, Kentucky Intergovernmental Review Process. The 1972 Kentucky Legislature introduced and passed legislation (House Bill No. 423) which created and established the District under Kentucky Law.

The purpose of the District is to promote, protect and develop the economy, health, education and general welfare and to implement projects for the people of the counties included in the District, and to further act in conjunction with adjoining area development districts in the Northeastern Kentucky area.

In evaluating how to define the government for financial reporting purposes, management of the District has considered all potential component units. The criteria for including a potential component unit within the reporting entity is (1) ability to exercise oversight responsibility, (2) scope of public services, and (3) special financing relationships. Based upon these criteria, management has not included any component units as part of the reporting entity.

#### Basis of Presentation

The financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" as it relates to special-purpose governments and, accordingly, the financial statements consist of the following:

- Management's discussion and analysis (required supplementary information)
- Basic financial statements:
  - Fund financial statements
  - Notes to the financial statements

Entity-wide financial statements – the District is a single fund, special-purpose entity that provides regional planning, development and aging services to the city, county and nonprofit agencies within the five county area. No entity wide statements are required because a single proprietary fund is used for the District.

Fund financial statements - the District's financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows.

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The District uses the accrual basis of accounting.

Revenues - The District recognizes revenue on the accrual basis of accounting. Grant and contract revenue is recognized as eligible expenses are incurred. Revenue is recognized on performance contracts based upon the percentage of completion or agreed upon services method.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Deferred revenue arises when funds are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

### Revolving Loan Notes Receivable

Revolving loan notes receivable are stated at face value, less an allowance for loan losses. The allowance is established through periodic charges to direct expenses.

### Compensated Absences

Full-time employees working 40 hours a week accrue sick leave at the rate of 10 hours per month, and 32 hour per week full-time employees accrue sick leave at the rate of 5 hours per month. Temporary and part-time employees earn no benefits. Annual leave is earned on the same basis as sick leave and both can be carried forward from one year to the next. On June 30<sup>th</sup> of each fiscal year, the accumulated sick leave balance shall not exceed 720 hours and accumulated annual leave shall not exceed 240 hours for any employee, unless granted special permission by the Executive Director or Board of Directors.

The accrued leave liability for accumulated annual leave reported in the statement of net position at June 30, 2015 and 2014 was \$36,394 and \$32,962, respectively.

### Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit at financial institutions.

### Inventory

Supplies and materials are charged to expenses when purchased.

### Allowance for Doubtful Accounts

The allowance for loan losses related to revolving loans is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance is an amount

that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

### Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10-40 years
Equipment	5-10 years
Furniture and fixtures	5-10 years
Automobiles	5 years
Computers and technology	3-5 years

### Budgets and Budgetary Accounting

Each year, the District adopts an annual budget that is approved by its Board of Directors prior to July 1<sup>st</sup>. This budget is required to be filed on the Department of Local Government's website prior to July 15<sup>th</sup> for the upcoming fiscal year. Budgetary restrictions apply primarily at the grant level. The District utilizes the budget as an operational and management tool and a cost allocation plan is approved by the Department for Local Government. The budget is approved by the board of directors and monthly reports are presented to the board and management using budget comparisons. Within sixty days after the fiscal year is complete, the District is required to submit financials that compares actual expenses to the adopted budget also via the Department of Local Government's website.

### In-Kind

In-kind contributions included in the accompanying financial statements consist of donated volunteer time, facilities or services.

### Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are



limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the District. For the District, those revenues are primarily grants and interest earned on revolving loans. All other revenues are non-operating, such as investment income. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating, such as interest expense.

### Cost Allocation Plan

Gateway Area Development District is required by the Department of Local Government, to operate under a cost allocation plan that conforms with 2 CFR Part 225. A summary of the cost allocation plan begins on page 14. The District is in conformity with 2 CFR Part 225.

### New Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB No. 68, *Accounting and Financial Reporting for Pensions*, which changes the way pensions are reported on the financial statements of employers. Employers participating in a multiple-employer cost-sharing plan will be required to report net pension liability on the entity-wide statements for their proportionate share of the liability. Districts will be required to record net pension liability for their share of the liability associated with employees participating in County Employees Retirement System (CERS) as well as any district-sponsored pension plans. Additional note disclosures and required supplementary information (RSI) also are addressed in the standard. This statement was implemented effective July 1, 2014. See Note 22.

In November 2013, the Governmental Accounting Standards Board issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement was implemented effective July 1, 2014. See Note 22.

## **(2) ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **(3) COST ALLOCATION**

Joint costs are accumulated into a cost pool and allocated to grant programs based on direct personnel costs, per a written cost allocation plan.

All funds expended by the District are charged either to a specific grant and/or program element as a direct charge or allocated to all programs as a shared (indirect) cost. Direct charges are defined in OMB Circular A-87 as those that can be identified specifically with a particular cost objective. Shared (indirect) costs are those incurred for a common or joint purposes benefiting more

than one grant and/or program element. All costs are recognized under the provisions of OMB Circular A-102. Below is a listing of direct and shared costs as they are charged by the District.

1. Salaries - The salaries of all employees, both professional and supportive, are charged directly to program elements based on the amount of actual time attributable to each, in accordance with the bi-weekly time sheet. Significant hours expended are recognized as a direct cost to the respective program element(s) in which the employee worked. Central administrative staff (including the Executive Assistant, Staff Assistant, Finance Officers and Executive Director's time) is customarily charged as shared. If an unusual amount of time is expended towards a specific element(s), or if these employees serve in a dual-role, they may charge hours directly to those programs accordingly - as deemed appropriate and necessary by the Executive Director. All program planners and coordinators salaries are charged as direct costs to the respective program element(s) in which they work. If these employees also assist with overall office-wide tasks (such as web page maintenance or providing computer and technical support), those hours are charged as shared.
2. Fringe Benefits - Burden is charged in like manner as the employee's salary by its proportionate share and is automatically calculated via the payroll software. All employee burden (e.g. FICA, workman's compensation, retirement, health insurances, etc.) which can be specifically related to an employee whose salary is being charged as a direct cost is also charged as a direct cost. The employee burden related to an employee whose salary is charged as a shared cost is charged as a shared cost. If an employee burden cost cannot be broken down by a specific element or employee with an acceptable degree of accuracy (such as the burden associated with used vacation hours), it is charged as a shared cost.
3. Shared Costs - The shared cost pool is comprised of costs that either (a) cannot be attributed directly to a program (b) relates to *all* the work that the District performs (c) is general administrative by nature or (d) relates to District facilities. At the end of each month, this pool of shared cost is distributed among the work elements directly in relation to the total personnel cost for the staff working in the program.
4. Consulting Contracts and Contractual Services - Generally, contracts or sub-contracts, including those for personal services, which the District executes with a third party can be identified to a specific program element and therefore, becomes a direct cost of said program. All consultant contracts are charged as direct cost to the program element to which the work relates.
5. Printing and Publications - Printing which is directly attributable to a specific work element is charged as a direct cost to the element, and consideration has been given to those direct costs in preparing the budget. Publications, whether prepared in-office or out-of-the office, are charged to those specific work elements to which they apply. Ads, notices of hearing, etc. that must be printed as legal notices are charged as direct costs where they can be identified in a sufficient amount. Advertising incurred to recruit new personnel is charged to the work element for which the position relates. In areas where the cost is minor or may benefit numerous work elements, the cost may be charged as shared. Miscellaneous or office-wide needs (envelopes, checks, letterhead, etc.) is charged as a shared cost.
6. Travel - Business-related travel costs are incurred for a specific purpose. All approved travel expenses is charged against the same program or element for which the employee's time is charged, as supported by his/her timesheet. Due to the limited number of staff and funds available, staff persons frequently utilize trips to cover more than one work element. If determined appropriate and necessary by the Executive Director, an employee whose travel pertains to more than one work element and can specifically identify those work elements, may also charge the cost to more than one work element.
7. Board Travel - Board members who travel pertaining to a specific element, charges travel to that work element for which the travel expense is incurred. Any travel that does not pertain to a certain work element will be charged as a shared cost.
8. Vacation Leave - At the end of each month, the cost associated with the full-time employees' earned vacation hours is charged to leave accrual accounts. The accounting software then allocates a proportionate share of the total monthly amount to each element for which the employee worked during that month. Vacation earned, which pertains to shared cost salaries, is also charged as shared cost. These provisions permit the correct

charging of each element and assure that each grant fund is charged equitably for vacation accrual.

9. Audit and Accounting Fees - Costs related to the District's annual external audit, performed by an independent CPA firm, are charged as a shared cost. The accounting system then permits each element to accept its proportionate amounts of charges. Any additional charges that are directly related to extra work in a specific element will be charged directly to the program.
10. Space Cost - Space-related expenses and routine repair and maintenance is charged as a shared cost, unless otherwise determined by the Executive Director to be exclusively for a specific work element. The District's mortgage payment, utilities, insurance, depreciation, cleaning, and general upkeep or repairs are included as shared cost.
11. Telephone/Internet - Generally telephone and internet charges is charged as a shared cost. If a particular grantee requires a special service (such as a toll-free number, dedicated line, or conference call) that cost will be charged directly to the corresponding work element.
12. Fixed Asset Additions - General-purpose non-consumable items (such as buildings, vehicles, equipment, or computers) are capitalized and depreciated via the straight-line method over the asset's useful life. Depreciation is charged monthly as a shared cost. Equipment or other capital purchases are not charged as a shared cost.
13. Equipment-Rental/Lease/Maintenance - All equipment rentals, purchases, and maintenance costs are charged as shared cost unless the corresponding piece of equipment is used exclusively by a specific element or grant award.
14. Supplies/Materials/Postage - The Staff Assistant purchases commonly used items to keep in a central location accessible by all employees. These items are charged as a shared cost. Other items that are identifiable with a specific program area are charged directly to that work element.
15. Meetings and Conferences - The cost associated with hosting a meeting or conference (food, materials, etc.) for which the primary purpose is the dissemination of technical information is charged to the work element for which it relates. If the meeting benefits the entire agency, such as the District's board meetings, the costs is charged as shared. If determined appropriate and necessary by the Executive Director, meetings serving a dual-purpose may be charged to more than one work element.
16. Dues/Subscriptions/Memberships - The majority of these costs is for the agency as a whole, or for the Executive Director, and is recognized as a shared cost. If the item relates to a specific employee, such as a required licensure, the cost is charged as a direct cost to their primary work element.

All additional costs not identified above are charged as (a) a direct cost if specifically identifiable with a particular element or (b) as a shared cost if incurred for a common or joint purpose benefiting more than one element and is not readily assignable.

#### (4) GRANTS RECEIVABLE

Federal, state, and local receivables are expected to be fully collectible. Federal, state, and local grants receivable consists of the following:

	2015	2014
Aging	\$ 292,392	\$ 185,377
CDO	124,299	88,366
KYTC Roadway Centerline	-	10,269
Transportation	11,541	11,541
EDA SOAR Initiative	12,597	-
KY Agriculture Dev. Info. System	1,720	1,743
Various Local	167,331	188,551
EDA Technical Assistance	18,577	14,908
	<u>\$ 628,457</u>	<u>\$ 500,755</u>

## (5) LOANS RECEIVABLE

The Revolving Loan Program was established by initial grants from the Economic Development Administration to assist high-risk small businesses in the area local communities with infrastructure.

The Nonprofit Housing Production Loan Program's funding originates from the Kentucky Housing Corporation to provide loans to purchase or rehabilitate homes for low-income individuals.

	2015	2014
Revolving loans - business	\$ 358,960	\$ 630,215
NHPLP	64,464	67,178
Total loans	423,424	697,393
Less: allowance for NHPLP	(17,416)	(17,416)
Less: allowance for RLP	-	(235,353)
Net loans	406,008	444,624
Less: current portion	(69,883)	(61,609)
Long-term portion of loans	<u>\$ 336,125</u>	<u>\$ 383,015</u>

## (6) REVOLVING LOAN PROGRAM

The District received a grant of \$500,000 from the U.S. Department of Commerce, Economic Development Administration (EDA) to establish a revolving loan program to stimulate economic development in the area. In addition, the District provided a local match of \$167,000, as required by the grant. At June 30, 2015 and 2014, the accompanying financial statements include revolving loans receivable of \$358,960 and \$630,215 and cash of \$326,025 and \$280,979, respectively.

## (7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	June 30, 2014	Additions	Deductions	June 30, 2015
Land, not being depreciated	\$ 18,500	\$ -	\$ -	\$ 18,500
Assets being depreciated:				
Buildings	1,091,331	-	-	1,091,331
Equipment and vehicles	490,172	17,055	-	507,227
Totals at historical cost	1,600,003	17,055	-	1,617,058
Less: accumulated depreciation	(657,084)	(37,974)	-	(695,058)
Capital Assets - Net	<u>\$ 942,919</u>	<u>\$ (20,919)</u>	<u>\$ -</u>	<u>\$ 922,000</u>

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	June 30, 2013	Additions	Deductions	June 30, 2014
Land, not being depreciated	\$ 18,500	\$ -	\$ -	\$ 18,500
Assets being depreciated:				
Buildings	1,091,331	-	-	1,091,331
Equipment and vehicles	487,694	2,478	-	490,172
Totals at historical cost	1,597,525	2,478	-	1,600,003
Less: accumulated depreciation	(604,615)	(52,469)	-	(657,084)
Capital Assets - Net	<u>\$ 992,910</u>	<u>\$ (49,991)</u>	<u>\$ -</u>	<u>\$ 942,919</u>

## (8) LONG-TERM DEBT

A summary of activity in long-term debt obligations is as follows:

Description	Balance at June 30, 2014	Issued	Payments	Balance at June 30, 2015
Kentucky Housing Corporation, various loans, each with a 20-year maturity, bearing interest at a rate of 1%, maturing June, 2025	\$ 95,748	\$ -	\$ 10,303	\$ 85,445
USDA Rural Development, secured by office building, \$100,000, 4.125%, due May, 2040	97,556	-	1,189	96,367
\$150,000 Line of Credit, with local bank at 3.5%	169	169	169	169
USDA Rural Development, secured by office building, 2 loans of \$550,000, 4.125%, due June, 2047	1,025,752	-	15,052	1,010,700
	<u>\$ 1,219,225</u>	<u>\$ 169</u>	<u>\$ 26,713</u>	<u>\$ 1,192,681</u>

Description	Balance at June 30, 2013	Issued	Payments	Balance at June 30, 2014
Kentucky Housing Corporation, various loans, each with a 20-year maturity, bearing interest at a rate of 1%, maturing June, 2025	\$ 106,054	\$ -	\$ 10,306	\$ 95,748
USDA Rural Development, secured by office building, \$100,000, 4.125%, due May, 2040	99,615	-	2,059	97,556
\$150,000 Line of Credit, with local bank at 3.5%	-	169	-	169
USDA Rural Development, secured by office building, 2 loans of \$550,000, 4.125%, due June, 2047	1,041,264	-	15,512	1,025,752
	<u>\$ 1,246,933</u>	<u>\$ 169</u>	<u>\$ 27,877</u>	<u>\$ 1,219,225</u>

Minimum future principal and interest requirements relating to the above notes are as follows at June 30, 2015:

Year	Principal	Interest	Requirements
2016	\$ 28,696	\$ 46,626	\$ 75,322
2017	29,230	45,863	75,093
2018	30,014	45,069	75,083
2019	30,831	44,152	74,983
2020	31,681	43,203	74,884
2021-25	155,603	200,049	355,652
2026-30	148,461	171,124	319,585
2031-35	181,715	137,870	319,585
2036-40	229,251	90,334	319,585
2041-45	240,701	78,884	319,585
2045-47	86,498	5,188	91,686
	<u>\$ 1,192,681</u>	<u>\$ 908,362</u>	<u>\$ 2,101,043</u>

## **(9) DEPRECIATION RESERVES**

The notes payable to the United States Department of Agriculture - Rural Development require depreciation reserve accounts be established. The District is currently required to deposit \$6,336 annually until a balance of \$63,300 is attained. The balance at June 30, 2015 and 2014 was \$52,502 and \$46,169, respectively, equal to the required balance.

## **(10) CONCENTRATIONS**

The District depends on grants from federal and state sources for its continued existence.

## **(11) PENSION PLAN**

### County Employees Retirement System

Plan description: Substantially all full-time employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.67% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2014. At June 30, 2014, the District's proportion was .023757%.

For the year ended June 30, 2015, the District recognized pension expense of \$62,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$108,667 and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$86,000.

District contributions subsequent to the measurement date of \$108,667 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 17,200
2017	17,200
2018	17,200
2019	17,200
2020	17,200
	<u>\$ 86,000</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.0%	8.45%
International Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%

Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield U.S. Fixed Income	5.0%	7.25%
Non U.S. Fixed Income	5.0%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 1,014,000	\$ 771,000	\$ 556,000

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2015 and 2014, the District had payables to CERS in the amount of \$12,503 and \$13,003, respectively, for June's covered payroll with contributions required to be paid in July.

## (12) CASH

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At year end, the carrying amount of cash was \$1,416,250. The bank balance totaled \$1,455,579, of which \$662,971 was covered by Federal depository insurance, with the remainder covered by collateral.



### **(13) CONTINGENCIES**

The District receives funding from Federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

### **(14) INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

### **(15) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

### **(16) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

### **(17) LEASE COMMITMENTS**

The District also has operating leases for office equipment. Rental expense for the year ending June 30, 2015 and 2014 was \$18,917 and \$18,975, respectively.

Future minimum lease payments under the operating leases are as follows:

<u>Year</u>	
2016	\$ 18,510
2017	17,430
2018	16,590
2019	11,060
	<u>\$ 63,590</u>

### **(18) DEFERRED REVENUE**

The June 30, 2015 and 2014 deferred revenue or unearned grant revenue includes revenues received, but not earned, as follows:

	<u>2015</u>	<u>2014</u>
JFA - Economic Development	\$ -	\$ 220
JFA - CDBG	-	70
JFA - ARC	-	218
JFA - Management Assistance	-	142

JFA - Program Administration	-	274
Aging - Administration	-	68
Adult Day Care	-	16
Homecare - Administration	37	786
Homecare - Social Services	260	1,484
Title III C-1	-	584
Title III B	708	-
Title III E	234	120
SHIP	48	34
MIPPA	81	6,354
Title III D	876	7,385
Aging - Chronic Disease	9	3
Aging - Improving Arthritis	-	15
Aging - Functional Assessment	6	23
Aging - Community Based Care	-	5
Health Benefits Assistor	73	26
KY Grandparents	23	34
Melodies & Memories	13	-
Transportation	42,509	4,910
Money Follows Person	-	6,845
PCAP	-	202
SWIA - Adult	4	4
SWIA - Dislocated Worker	3	3
ARC Morgan Co. Recovery	71,997	-
NSIP	-	7,167
ARRA	-	55
	<u>\$ 116,881</u>	<u>\$ 37,047</u>

#### (19) RELATED PARTY TRANSACTIONS

The District provides fiscal management services to Gateway CDO Program as Fiscal Agent (GADD CDO). GADD CDO operates the Consumer Directed Options program for the Cabinet for Health and Family Services and the Department of Aging and Independent Living (DAIL) for the Gateway Area District. Waiver clients have the option to choose CDO at any time. The District serves as the fiscal agent for the client and as a support broker. For support broker, the District earns \$265 per month per client based upon an actual visit made by District staff. For assessments, the District earns \$100 when a new client is initially assessed or re-assessed annually. For financial management, the District earns \$100 per month per client. For medical goods, the CDO program bills the state for actual costs when the need is determined. For payroll, claims are submitted to the state after each payroll is processed. During the years ended June 30, 2015 and 2014, the District earned \$407,375 and \$324,270, respectively from the CDO program for administration and the District was owed \$124,299 and \$88,366, respectively by the CDO program.

#### (20) PRIOR YEARS GRANT ACTIVITY

The following adjustments have been made as a result of prior year activities:

	2015	2014
Other non-operational adjustments	\$ 14,095	\$ (13,123)
	<u>\$ 14,095</u>	<u>\$ (13,123)</u>

#### (21) FUNDS HELD FOR MORGAN COUNTY TORNADO RELIEF FUND

The District acts as the fiscal sponsor for the Morgan County Tornado Relief Fund. As of June 30, 2015 and 2014, the District held \$89,678 and \$113,612, respectively, in donations for the Morgan County Tornado Relief Fund which are included in restricted cash and a like amount as the liability Funds Held for Morgan County Tornado Relief Fund. The fund was established to assist

residents of Morgan County who are victims of the March 2, 2012 tornado. Charitable contributions to the Morgan County Tornado Relief Fund are tax-deductible under section 170(c)(1) of the Internal Revenue Code, since made for a public purpose.

**(22) CHANGE IN ACCOUNTING PRINCIPLE**

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net Position as previously reported at June 30, 2014	\$ 1,587,946
Prior period adjustment implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(898,000)
Deferred outflows District contributions made during fiscal year 2014	<u>103,000</u>
Total prior period adjustment	<u>(795,000)</u>
Net position as restated, June 30, 2014	<u>\$ 792,946</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GATEWAY AREA DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2015**

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
District's proportion of the net pension liability	0.024%
District's proportionate share of the net pension liability	\$ 771,000
District's covered-employee payroll	\$ 545,029
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.460%
Plan fiduciary net position as a percentage of the total pension liability	66.800%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of this schedule.

**GATEWAY AREA DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 108,667	\$ 102,956	\$ 105,368	\$ 98,073
Contributions in relation to the contractually required contribution	<u>108,667</u>	<u>102,956</u>	<u>105,368</u>	<u>98,073</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 614,979	\$ 545,029	\$ 538,984	\$ 517,260
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	17.67%	18.89%	19.55%	18.96%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of this schedule.

**GATEWAY AREA DEVELOPMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**(1) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	29 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

There were no changes of benefit terms or assumptions.

## **SUPPLEMENTAL INFORMATION**



# GATEWAY AREA DEVELOPMENT DISTRICT

## SCHEDULE OF SHARED COSTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
INDIRECT EXPENDITURES:		
Salaries	\$ 157,294	\$ 148,102
Fringe benefits	72,029	75,004
Travel	14,309	7,583
Legal and accounting	18,714	20,107
Equipment, leases, depreciation and amortization	62,181	76,808
Office expense	13,094	8,865
Postage	2,147	1,931
Telephone and utilities	22,639	21,114
Committee meetings	3,725	2,907
Dues, fees, and subscriptions	12,808	10,540
Insurance	20,713	19,843
Interest	46,252	48,326
Repairs and maintenance	2,723	6,880
Contract services	5,287	-
Other	8,230	7,941
Total	<u>\$ 462,145</u>	<u>\$ 455,951</u>
ALLOCATION OF SHARED COSTS:		
Joint Funding Administration	\$ 86,498	\$ 86,696
Homecare	77,324	83,167
Aging Programs	59,717	24,411
Other Aging related contracts	26,514	41,540
Consumer Direct Options Program	87,888	84,189
ARC Morgan Co. Recovery Project	4,835	-
KYTC Roadway and Operations	1,530	4,007
KY Agriculture Dev. Info. System	1,127	889
EDA SOAR Initiative BSADD	3,776	-
Transportation Planning	13,781	28,879
EDA Technical Assistance Grant	13,552	21,399
Revolving Loan Program	3,653	3,046
NHPLP Grants	425	221
Performance contracts	81,525	77,507
Total	<u>\$ 462,145</u>	<u>\$ 455,951</u>

**GATEWAY AREA DEVELOPMENT DISTRICT**

**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**

**JOINT FUNDING ADMINISTRATION PROGRAM**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	Budget Over (Under) <u>Actual</u>
<b>REVENUES</b>					
Federal	\$138,138			\$138,138	\$ -
State	92,904			92,904	-
Local Funds	-			249	249
Total revenues	<u>231,042</u>			<u>231,291</u>	<u>249</u>
<b>EXPENSES</b>					
Community & Economic Planning & Development (120)	84,124	52,140	31,441	83,581	543
Community Development Block Grant (125)	31,000	21,510	13,145	34,655	(3,655)
Appalachian Regional Commission Planning (130)	110,264	71,143	41,912	113,055	(2,791)
Management Assistance (140)	2,827	-	-	-	2,827
Program Administration (150)	<u>2,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,827</u>
Total expenses	<u>231,042</u>	<u>144,793</u>	<u>86,498</u>	<u>231,291</u>	<u>(249)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>

GATEWAY AREA DEVELOPMENT DISTRICT  
STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING  
FOR THE YEAR ENDED JUNE 30, 2015

	Aging Adminis- tration	Support Services B	Ombuds- man - B	Cong. Meals C-1	H.D. Meals C-2	Health Prevention D	Caregiver E	Ombuds- man - VII	Elder Abuse VII
REVENUES									
Federal grant	\$ -	\$ 118,995	\$ 15,300	\$ 115,992	\$ 71,258	\$ 7,289	\$ 40,414	\$ 2,529	\$ 1,492
State grant	-	39,967	-	6,683	18,459	-	27,957	-	-
Local	-	28,752	-	24,561	76,336	-	-	460	264
Program income	-	2,220	-	18,877	1,505	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-
Total revenues	-	189,934	15,300	166,113	167,558	7,289	68,371	2,989	1,756
EXPENSES									
Direct expenses:									
Salaries	43,718	-	-	-	-	2,294	16,189	-	-
Fringe benefits	24,806	-	-	-	-	1,435	8,957	-	-
Travel	1,718	-	-	-	-	382	568	-	-
Contracts	2,500	154,613	15,300	148,613	155,058	-	-	2,989	1,756
Other	2,748	-	-	-	-	891	20,802	-	-
Total direct expenses	75,490	154,613	15,300	148,613	155,058	5,002	46,516	2,989	1,756
Shared costs	42,013	-	-	-	-	2,287	15,417	-	-
Total expenses	117,503	154,613	15,300	148,613	155,058	7,289	61,933	2,989	1,756
Intrafund transfers	117,503	(35,321)	-	(17,500)	(12,500)	-	(6,438)	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

	Homecare		Personal		Medicaid		LTC	Chronic Disease	Improving
	Adminis- tration	Social Services	Care Program	NSIP	ADRC	SHIP	Ombudsman	& Self Management Education	Arthritis Outcomes
REVENUES									
Federal grant	\$ -	\$ -	\$ -	\$ 37,103	\$ 3,652	\$ 11,397	\$ -	\$ 2,719	\$ 3,750
State grant	38,518	350,549	266,261	-	3,652	-	29,177	-	-
Local	-	36,947	-	-	-	-	-	-	-
Program income	-	506	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-	-
Total revenues	<u>38,518</u>	<u>388,002</u>	<u>266,261</u>	<u>37,103</u>	<u>7,304</u>	<u>11,397</u>	<u>29,177</u>	<u>2,719</u>	<u>3,750</u>
EXPENSES									
Direct expenses:									
Salaries	2,941	90,382	-	-	644	3,780	-	833	-
Fringe benefits	1,782	31,010	-	-	340	2,625	-	439	-
Travel	-	21,377	-	-	-	261	-	20	-
Contracts	-	130,169	239,635	37,103	6,222	-	27,285	-	3,750
Other	-	21,935	-	-	-	169	1,892	646	-
Total direct expenses	<u>4,723</u>	<u>294,873</u>	<u>239,635</u>	<u>37,103</u>	<u>7,206</u>	<u>6,835</u>	<u>29,177</u>	<u>1,938</u>	<u>3,750</u>
Shared costs	<u>2,895</u>	<u>74,429</u>	<u>-</u>	<u>-</u>	<u>98</u>	<u>3,927</u>	<u>-</u>	<u>781</u>	<u>-</u>
Total expenses	<u>7,618</u>	<u>369,302</u>	<u>239,635</u>	<u>37,103</u>	<u>7,304</u>	<u>10,762</u>	<u>29,177</u>	<u>2,719</u>	<u>3,750</u>
Intrafund transfers	<u>(30,900)</u>	<u>(18,700)</u>	<u>(26,626)</u>	<u>-</u>	<u>-</u>	<u>(635)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF COMPLETED GRANTS - AREA AGENCY ON AGING (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2015

	MIPPAA	Functional Assessment	Non-Medicaid ADRC	Health Benefits Assistor	KY Grandparents/ Caregiver	Area Agency on Aging Totals
REVENUES						
Federal grant	\$ 19,716	\$ 1,966	\$ -	\$ 16,579	\$ -	\$ 470,151
State grant	-	-	-	-	42,946	824,169
Local	-	-	-	-	-	167,320
Program income	-	-	-	-	-	23,108
Local funds applied	-	-	-	-	-	-
Total revenues	<u>19,716</u>	<u>1,966</u>	<u>-</u>	<u>16,579</u>	<u>42,946</u>	<u>1,484,748</u>
EXPENSES						
Direct expenses:						
Salaries	6,730	546	6,263	5,621	2,143	182,084
Fringe benefits	4,500	278	3,420	3,822	1,259	84,673
Travel	-	51	25	25	313	24,740
Contracts	-	-	17,717	930	-	943,640
Other	1,601	586	2,118	391	33,045	86,824
Total direct expenses	<u>12,831</u>	<u>1,461</u>	<u>29,543</u>	<u>10,789</u>	<u>36,760</u>	<u>1,321,961</u>
Shared costs	<u>6,885</u>	<u>505</u>	<u>6,442</u>	<u>5,790</u>	<u>2,086</u>	<u>163,555</u>
Total expenses	<u>19,716</u>	<u>1,966</u>	<u>35,985</u>	<u>16,579</u>	<u>38,846</u>	<u>1,485,516</u>
Intrafund transfers	<u>-</u>	<u>-</u>	<u>35,985</u>	<u>-</u>	<u>(4,100)</u>	<u>768</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GATEWAY AREA DEVELOPMENT DISTRICT**

**SCHEDULE OF REVENUES AND EXPENSES**

**CONSUMER DIRECTED OPTION (CDO) PROGRAM**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Support</u>	<u>Management</u>	<u>Total CDO</u>
REVENUES			
State grant	\$ 297,175	\$ 110,200	\$ 407,375
Local revenue	-	-	-
Total revenues	<u>297,175</u>	<u>110,200</u>	<u>407,375</u>
EXPENSES			
Direct expenses:			
Salaries	84,359	19,551	103,910
Fringe benefits	28,878	10,584	39,462
Travel	10,469	-	10,469
Contracts	273	-	273
Other	12,912	2,230	15,142
Total direct expenses	<u>136,891</u>	<u>32,365</u>	<u>169,256</u>
Shared costs	<u>69,428</u>	<u>18,460</u>	<u>87,888</u>
Total expenses	<u>206,319</u>	<u>50,825</u>	<u>257,144</u>
Intrafund transfers	<u>(768)</u>	<u>-</u>	<u>(768)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 90,088</u>	<u>\$ 59,375</u>	<u>\$ 149,463</u>

GATEWAY AREA DEVELOPMENT DISTRICT

STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES - OTHER GRANTS

FOR THE YEAR ENDED JUNE 30, 2015

	KYTC Roadway Centerline Data	KY Agriculture Dev. Info. System	Trans- portation	EDA Technical Assistance	ARC Morgan Co. Recovery Project	Melodies & Memories	EDA SOAR Initiative	Totals
REVENUES								
Federal grant	\$ 3,336	\$ 2,094	\$ -	\$ 35,688	\$ 87,002	\$ -	\$ 12,597	\$ 140,717
State grant	834	374	29,077	-	-	7,487	-	37,772
Local	-	497	7,440	-	-	2,500	-	10,437
Program income	-	-	-	-	-	-	-	-
Local funds applied	-	-	-	-	-	-	-	-
Total revenues	<u>4,170</u>	<u>2,965</u>	<u>36,517</u>	<u>35,688</u>	<u>87,002</u>	<u>9,987</u>	<u>12,597</u>	<u>188,926</u>
EXPENSES								
Direct expenses:								
Salaries	1,693	1,186	14,065	13,894	5,109	-	4,080	40,027
Fringe benefits	935	652	8,412	8,210	2,778	-	2,078	23,065
Travel	12	-	232	32	-	-	2,309	2,585
Contracts	-	-	-	-	-	-	-	-
Other	-	-	27	-	74,280	9,987	354	84,648
Total direct expenses	<u>2,640</u>	<u>1,838</u>	<u>22,736</u>	<u>22,136</u>	<u>82,167</u>	<u>9,987</u>	<u>8,821</u>	<u>150,325</u>
Shared costs	<u>1,530</u>	<u>1,127</u>	<u>13,781</u>	<u>13,552</u>	<u>4,835</u>	<u>-</u>	<u>3,776</u>	<u>38,601</u>
Total expenses	<u>4,170</u>	<u>2,965</u>	<u>36,517</u>	<u>35,688</u>	<u>87,002</u>	<u>9,987</u>	<u>12,597</u>	<u>188,926</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GATEWAY AREA DEVELOPMENT DISTRICT**  
**STATEMENT OF OPERATIONS BY PROGRAM AND SUPPORTING SERVICES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	JFA Totals	Area Agency on Aging Totals	Other Grants Totals	Revolving Loan Program	NHPLP Grants	Performance Contracts	CDO Totals	Admin- istrative Expense	Local Operations	Totals
<b>REVENUES</b>										
Federal grant	\$ 138,138	\$ 470,151	\$ 140,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 749,006
State grant	92,904	824,169	37,772	-	-	222,841	407,375	-	-	1,585,061
Local	-	167,320	10,437	180	83	1,121	-	591	-	179,732
Program income	-	23,108	-	15,446	1,886	-	-	-	41,055	81,495
Local funds applied	249	-	-	-	-	-	-	-	(249)	-
Total revenues	<u>231,291</u>	<u>1,484,748</u>	<u>188,926</u>	<u>15,626</u>	<u>1,969</u>	<u>223,962</u>	<u>407,375</u>	<u>591</u>	<u>40,806</u>	<u>2,595,294</u>
<b>EXPENSES</b>										
Direct expenses:										
Salaries	89,513	182,084	40,027	3,692	458	84,200	103,910	157,294	6,200	667,378
Fringe benefits	51,563	84,673	23,065	2,266	236	48,767	39,462	72,029	1,294	323,355
Travel	3,378	24,740	2,585	965	-	1,117	10,469	14,309	601	58,164
Contracts	-	943,640	-	-	-	228	273	5,287	-	949,428
Other	339	86,824	84,648	317	1,419	5,429	15,142	213,226	6,235	413,579
Total direct expenses	<u>144,793</u>	<u>1,321,961</u>	<u>150,325</u>	<u>7,240</u>	<u>2,113</u>	<u>139,741</u>	<u>169,256</u>	<u>462,145</u>	<u>14,330</u>	<u>2,411,904</u>
Shared costs	<u>86,498</u>	<u>163,555</u>	<u>38,601</u>	<u>3,653</u>	<u>425</u>	<u>81,525</u>	<u>87,888</u>	<u>(462,145)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>231,291</u>	<u>1,485,516</u>	<u>188,926</u>	<u>10,893</u>	<u>2,538</u>	<u>221,266</u>	<u>257,144</u>	<u>-</u>	<u>14,330</u>	<u>2,411,904</u>
Net pension adjustment	-	-	-	-	-	-	-	-	46,667	46,667
Intrafund transfers	-	768	-	-	-	-	(768)	-	-	-
	<u>-</u>	<u>768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(768)</u>	<u>-</u>	<u>46,667</u>	<u>46,667</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,733</u>	<u>\$ (569)</u>	<u>\$ 2,696</u>	<u>\$149,463</u>	<u>\$ 591</u>	<u>\$ 73,143</u>	<u>\$ 230,057</u>



GATEWAY AREA DEVELOPMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number		Expenditures
<u>Economic Development Administration</u>				
Title IX RLP	11.300	N/A	* \$	521,909
Economic Adjustment/Disaster Recovery	11.307	N/A	*	35,688
Passed Through Pennyryle Area Development District -				
Agriculture Development Information System	11.307	1100-1127-5710-007	*	2,094
Passed Through Big Sandy Development District -				
Economic Development Assistance	11.307		*	12,597
Passed Through the State Department of Local Government -				
JFA - Community and Economic Assistance	11.302	KY-0702D-C45		67,200
Total Economic Development Administration				<u>639,488</u>
<u>U.S. Department of Health and Human Services</u>				
Passed Through the Kentucky Cabinet for Health and Family Services -				
Title III-B - Supportive Services	93.044	PON2 725 1400001066	*	118,995
Title III-B - Ombudsman	93.044	PON2 725 1400001066	*	15,300
Title III-C1 - Nutrition Program	93.045	PON2 725 1400001066	*	115,992
Title III-C2 - Nutrition Program	93.045	PON2 725 1400001066	*	71,258
Title III-E - Family Caregiver	93.052	PON2 725 1400001066		40,414
Title III-D - Aging Program Preventive Health	93.043	PON2 725 1400001066		7,289
Title VII - Elder Abuse Prevention	93.041	PON2 725 1400001073		1,492
Title VII - Ombudsman	93.042	PON2 725 1400001073		2,529
Nutrition Services Incentive Program	93.053	PON2 725 1400001074	*	37,103
CMS - SHIP	93.779	PON2 725 1400001161		11,397
ACA - MIPPA	93.071	PON2 725 1400001168		19,716
Chronic Disease & Self Management Education	93.725	PON2 725 1400001162		2,719
Improving Arthritis Outcomes	93.945	PON2 725 1400001164		3,750
Functional Assessment Service Teams	93.069	PON2 725 1400001163		1,966
Health Benefits/Assistor Program	93.945	PON2 725 1400001167		16,579
Aging and Disability Resource Center (ADRC)	93.778	PON2 725 1400001160		<u>3,652</u>
Total Department of Health and Human Services				<u>470,151</u>

The accompanying notes are an integral part of this schedule.

**FIVCO AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
<u>Appalachian Regional Commission</u>			
JFA-ARC Planning	23.009	KY-0702D-C45	\$ 55,438
ARC Planning	23.001	KY-18000-14	87,002
Total Appalachian Regional Commission			<u>142,440</u>
<u>U.S. Department of Transportation</u>			
Passed Through the Kentucky Transportation Cabinet - Division of Planning - Area Transportation Planning	20.205	1500002428	<u>3,336</u>
Total U.S. Department of Transportation			<u>3,336</u>
<u>U. S. Department of Housing &amp; Urban Development</u>			
Passed Through the State Department of Local Government - JFA-Community Development Block Grant	14.218	KY-0702D-C45	<u>15,500</u>
Total Department of Housing & Urban Development			<u>15,500</u>
Total Expenditures of Federal Awards			<u>\$ 1,270,915</u>

The accompanying notes are an integral part of this schedule.

# **GATEWAY AREA DEVELOPMENT DISTRICT**

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2015**

### **(1) BASIS OF PRESENTATION**

This accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Gateway Area Development District (the District) under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

### **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### **(3) LOANS**

At June 30, 2015, the District had loans outstanding in the amount of \$358,960 with an allowance for doubtful accounts of \$-0- under the Title IX-RLF loan program.

### **(4) SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Amount Provided</u>
Title III	93.044 & 93.045	\$ 282,988
Ombudsman	93.042	2,529
Elder Abuse	93.041	1,492
Nutrition Services Incentive Program	93.053	37,103



**Kelley Galloway**  
**Smith Goolsby, PSC**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Gateway Area Development District  
Morehead, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gateway Area Development District, which comprise the statements of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Gateway Area Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gateway Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Gateway Area Development District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Gateway Area Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kelley Gallaway Smith Goolsby, PSC*

September 23, 2015



**Kelley Galloway**  
**Smith Goolsby, PSC**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
Gateway Area Development District  
Morehead, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Gateway Area Development District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Gateway Area Development District's major federal programs for the year ended June 30, 2015. Gateway Area Development District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Gateway Area Development District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gateway Area Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gateway Area Development District's compliance.



## Opinion on Each Major Federal Program

In our opinion, Gateway Area Development District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of Gateway Area Development District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gateway Area Development District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gateway Area Development District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kelley Galloway Smith Doolby, PSC*

September 23, 2015

**GATEWAY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements-***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- ☐ Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- ☐ Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to the  
financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards-***

Internal control over major programs:

- ☐ Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- ☐ Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on  
compliance for major programs: Unmodified

Any audit findings disclosed that are  
required to be reported in accordance with  
section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of Major Programs CFDA No.

Title III Aging Cluster	93.044 & 93.045 & 93.053
Economic Adjustment/Title IX RLP	11.300 & 11.307

Dollar threshold used to distinguish between type A  
and type B programs: \$300,000

Auditee qualified as low risk auditee?   X   Yes \_\_\_\_\_ No



**GATEWAY AREA DEVELOPMENT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**B. FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**C. FEDERAL AWARD FINDINGS AND QUESTIONED**

None noted in the current year.

**GATEWAY AREA DEVELOPMENT DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings in the prior year.

**GATEWAY AREA DEVELOPMENT DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED JUNE 30, 2015**

NAME OF CONTACT PERSON

Gail Wright, Executive Director

(606) 780-0090

CORRECTIVE ACTION PLANNED

No corrective action needed.